



SHARPE JAMES

MAYOR

NEWARK, NEW JERSEY

07102

July 10, 1987

The Hon. Donald Tucker
Councilman-at-Large
City Hall
Newark, New Jersey 07102

Dear Councilman Tucker:

As a strong supporter of the N.J. Black Issues Convention and your pioneering efforts to bring about this annual event, I am honored by your invitation to serve as a guest columnist in the upcoming issue of Update.

The dominant role N.J. BIC has played in addressing the needs and concerns of the nearly one million Afro American residents in the State of New Jersey is noteworthy and certainly a tribute to your dedication and hard work.

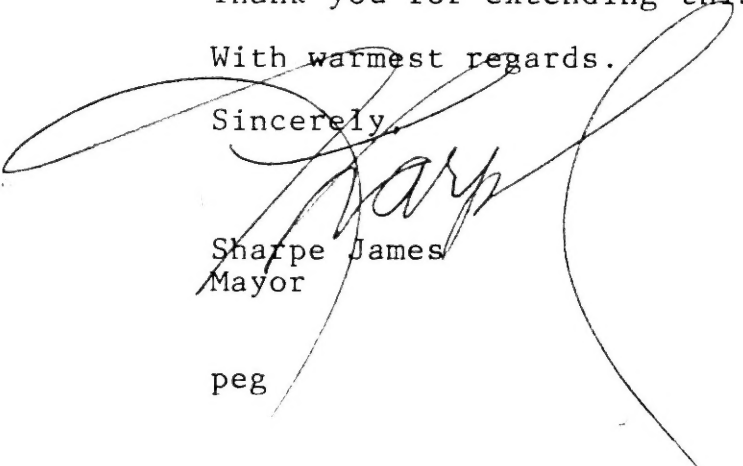
I have noted in prior issues of Update that several mayors have addressed the need for increased state aid to our urban municipalities.

However, I will not focus on this particular issue, but will instead note the need to establish a permanent funding formula for in-lieu tax payments on tax exempt property lying within a community's borders. This article will be ready by the publication's deadline date, July 24.

Thank you for extending this offer to me.

With warmest regards.

Sincerely,


Sharpe James
Mayor

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The revaluation of Newark's property, last undertaken almost 30 years ago, will go into effect sometime in the next few years, giving some property owners increases in excess of 400 percent.

While the city's tax rate per \$100 of assessed valuation will, most likely decrease, the overall taxes homeowners will be forced to pay will rise sharply due to the increase in the value of their property.

Throughout New Jersey, cities such as Newark have battled revaluation, seeking moratoria from the state legislature and alternatives other than taxation as a form of raising local revenue.

In New Jersey's largest city the problem is particularly unique as more than two-thirds of the land and property are tax exempt, belonging to governmental entities, hospitals, colleges and universities, churches and numerous tax exempt institutions. Thus, one third of those property owners who do pay taxes, must shoulder the costs of providing services to those who do not.

Throughout the state other municipalities are caught in a similar squeeze and have been part of the lobbying effort for tax replacement funds, or in-lieu of tax payments for those properties within their borders which do not add to the ratable base.

"NEW JERSEY IS RIPE FOR TAX REFORM"

By The Honorable Sharpe James, Mayor Of Newark, New Jersey

One of the very reasons this country came into existence was because of the issue of taxation. During the Revolutionary War the cry was, "No Taxation without Representation!"

Today, in our great state, there is still a battle raging over tax revenues. Now the cry is, "Do Not Overload the Already Heavily-Laden."

The facts surrounding the issue have changed in 1987, the year in which we celebrate the 200th anniversary of our Constitution, but the goal is still the same: Government must not overburden the people.

In Newark, New Jersey's largest city, we are faced with the challenge of easing the tax bite of already overburdened citizens. The task is extremely difficult because two-thirds of the property in the city is tax-exempt.

In effect, one-third of the property owners are forced to pay for themselves and for the other two-thirds that do not pay taxes.

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To help relieve the difficulties that arise from this situation, "in-lieu-of-tax" payments are allocated by the state to various municipalities.

The "in-lieu-of-tax" dollars are given by the state to compensate host cities that have state-owned properties within their borders.

State property such as universities, state offices, inspection stations, military installations and hospitals are all tax-exempt, so the "in-lieu-of-tax" funds help substantially to minimize this loss of valuable tax ratables.

But here's the sticking point: The state decides on its own, without policy or formula or permanent funding, how many dollars it will give the host city. Moreover, larger more urbanized municipalities such as Newark, Trenton, Plainfield and Camden are not given their fair share of the compensatory dollars.

Clearly then, these urban cities are being penalized for hosting facilities designed to serve the entire state, without benefit of tax income. Additionally, many of these facilities create a further demand for municipal services in expanding their liability to the host city.

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For example, some of Newark's most expensive real estate generating no tax dollars are Rutgers University-Newark, University of Medicine & Dentistry of New Jersey, New Jersey Institute of Technology, Essex County College, the Peter Rodino Federal Building, the Federal Post Office, the New Jersey Historical Society, state and county courthouses, jails, and others to name a few.

This is not to complain singularly on the presence of federal, state or county facilities being located in Newark, which often times contributes a vital service and helps to improve Newark's image. It is, however, a demand for an equitable and permanent payment by the state for the loss of ratables and need or potential need for municipal services.

Adding insult to injury, many municipalities are forced to raise their tax rates, to offset the loss of these tax revenues and the low rate of compensation from the state. Furthermore, many citizens around the state who happily benefit from these facilities, eagerly criticize host cities for not having sufficient dollars to run their municipalities.

"Newark, Camden, Trenton, Paterson and East Orange, stop begging!," is the unfair accusation.

((ADD THREE))

We believe that the state is at fault by denying these municipalities due in-lieu-of-tax payments.

The New Jersey property revaluation system now in place does not take into account the amount of federal, county and state tax exempted property within the municipality.

In Newark alone, some property owners could face a 400% increase with the pending reassessment.

Since one-third of the property owners are already shouldering the cost of providing services to those who do not pay taxes, to add to their task is unconscionable.

This question is not unique to Newark and is before several other communities throughout the state, as well.

In Princeton, Borough Administrator Mark Gordon believes, "We should not overly burden taxpayers in counties with large urban centers in them. It is the state that establishes an entity's tax exempt status and that ought to be reviewed to determine how it will impact on the community."

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As the Mayor of the City of Newark, a municipality which has more than two-thirds of its property listed as tax-exempt, I know fully how the present code imposes disproportionately on the larger cities. In effect, the state is asking the already heavily-taxed homeowners to pick up the tab again, since the loss of tax revenues usually results in a tax increase.

In 1977, when the State Legislature enacted the "in-lieu-of-tax" bill into law, nearly \$11 million was earmarked for Newark. Ten years later, we are still fighting a battle to simply get our fair share of the pie.

The lack of "in-lieu-of-tax" payments is a state wide problem that we all face. To overcome this crisis, we must join forces to ensure that each city's annual payment is based on a permanent in-lieu-of-tax formula for non-taxable municipal land.